Tax Incremental Financing (TIF)

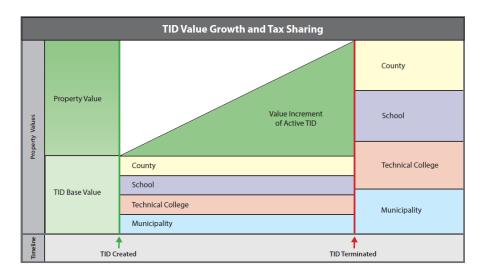
What is TIF and What is the approval process for TIF projects in the City of Milwaukee?

Tax Incremental Financing (TIF) districts were initially authorized by state statute in 1975 as a redevelopment vehicle for cash-strapped municipalities. The City of Milwaukee has used TIF to finance over 100 projects. The mechanism allows cities to capture increased tax revenues generated by economic development projects and to use this money to pay back city funds injected at the front end of the development, most often for streets, sewer, environmental remediation or other site improvements. TIF incentivizes municipalities to provide upfront capital for redevelopment projects because the municipality is assured a steady future revenue source to pay off upfront costs.

In creating a TIF district, the City of Milwaukee must first formulate a detailed project plan for the development or redevelopment of a specific geographic area called a Tax Increment District (TID). In the City of Milwaukee, a TID project plan must be approved by several regulatory bodies. First, the project plan is initially presented to the Joint Review Board, which is made up of five(5) members, a representative from each of the City's taxing jurisdictions, the City of Milwaukee, Milwaukee County, Milwaukee Public Schools (MPS), and the Milwaukee Technical School System – and a citizen representative. After an initial hearing before the Joint Review Board, the Redevelopment Authority of the City of Milwaukee (RACM) holds a public hearing on the TID project plan and votes to approve the project plan. After RACM action, the Milwaukee Common Council's Zoning & Neighborhood Development (ZND) Committee holds a hearing on the TID project plan. Once adopted by the ZND Committee, the project plan is either approved or rejected by the full Common Council. Upon adoption by the Common Council and approval by the Mayor, the Joint Review Board makes a final recommendation on the plan.

Once the TID project plan receives appropriate approvals, local assessors and the State of Wisconsin Department of Revenue determine a "base value" for all the property in the district. As the city and/or the developer make improvements in the district, property values (and the accompanying taxes) increase. The taxes on all property value growth over and above the base value (shown below as "value increment") are used to pay off the city's upfront investments in the district – with interest.

In this way, the main taxing jurisdictions in the area (city, county, MPS, technical schools) become "partners" in development and ensure the completion of projects that – state statute – would not occur "but for" the public participation. Once all the project costs are repaid, the district is terminated and all the taxing jurisdictions receive tax revenue from the full value of the district (both the base value and the increment). State statute allows 27 years to pay off all TIF costs; the average payback period in the City of Milwaukee is approximately 18 years.



Source: Modified from Wisconsin Department of Revenue City/Village Tax Incremental Financing Manual. Chapter 1, Section B, "How TIF Works"